

Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05
SS-15 STR-04 CEA-01 L-03 H-02 PA-02 PRS-01
AGRE-00 ITC-01 /116 W
-----088672 071700Z /42

R 071424Z JUL 77
FM AMEMBASSY BERN
TO SECSTATE WASHDC 4591
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY VIENNA
AMCONSUL ZURICH

UNCLAS SECTION 1 OF 2 BERN 3058

USDEL MTN ALSO FOR MISSION, USOECD ALSO FOR EMBASSY,

VIENNA FOR ELLIS, PASS TREASURY AND FRB

EO 11652: NA
TAGS: EFIN SZ
SUBJ: SWISS FINANCIAL REVIEW: WEEK OF JUN 26 - JUL 2

1. SUMMARY: DOLLAR RATE AGAINST SWISS FRANC FELL
ABRUPTLY. SWISS FRANC APPRECIATED AGAINST OTHER
CURRENCIES. GOLD PRICE ROSE TO 142. SWISS
NATIONAL BANK PROVIDED SF 5 BILLION ADDITIONAL
LIQUIDITY TO HELP BANKS MEET END JUN REQUIREMENTS.
FOREIGN BANKS REPORTED 8.2 PERCENT GROWTH IN
ASSETS DURING 1976. SWISS REDUCED DUTIES ON INDUSTRIAL
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IMPORTS FROM EC AND EFTA COUNTRIES TO ZERO
JUL 1. CANTONS ARE REPORTEDLY WILLING TO ACCEPT
REDUCTION IN FEDERAL SUBSIDIES TO HELP BALANCE
FEDERAL BUDGET. BARCLAYS SA MAY BUY BANK LECLERC
THAT CLOSED IN MAY 1977. END SUMMARY.

2. FOREIGN EXCHANGE AND GOLD: DOLLAR RATE AGAINST

SWISS FRANC FELL ABRUPTLY IN ACTIVE MARKET. DEALERS SAID RATE CHANGE WAS INFLUENCED BY STATEMENT IN FINAL OECD MINISTERIAL COMMUNIQUE THAT COUNTRIES WITH STRONG EXTERNAL POSITIONS WOULD PERMIT THEIR CURRENCIES TO APPRECIATE IN RESPONSE TO MARKET FORCES, WHICH WAS FOLLOWED BY SUDDEN RISE IN YEN. POSITIVE IMPACT OF DECREASED U S TRADE DEFICIT IN MAY WAS SAID TO HAVE BEEN OFFSET BY DECLINE IN INDEX OF LEADING U S ECONOMIC INDICATORS. SWISS NATIONAL BANK PURCHASED DOLLARS IN NORMAL REGULAR AMOUNTS. SWISS FRANC APPRECIATED SLIGHTLY AGAINST OTHER CURRENCIES. GOLD PRICE ROSE DESPITE PRESSURE FROM PROFIT-TAKING SALES IN U S. ZURICH GOLD POOL MEMBERS BELIEVE PRICE WILL WITHSTAND PRESSURE FROM IMF SALE JUN 8. RATES FOLLOW:

	6/27 (OPEN)	7/1 (CLOSE)
SPOT DOLLAR	2.4870	2.4627
FORWARD DISCOUNTS (PERCENT PER ANNUM)		
1 MONTH	2.13	2.63
2 MONTHS	2.03	2.58
3 MONTHS	2.21	2.55
6 MONTHS	2.32	2.47
12 MONTHS	2.43	2.54
SF/DM	105.75	105.23
GOLD	141.25	142.00

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3. CAPITAL AND MONEY MARKETS: MARKETS WERE CALM. SNB PROVIDED BANKS SF 5 BILLION IN DOLLAR SWAPS AND OTHER CREDITS TO MEET END-JUN REQUIREMENTS. SNB PURCHASED FROM CREDIT SUISSE SF 243.4 MILLION PORTFOLIO OF MUNICIPAL NOTES IN EFFORT TO SUPPORT INTEREST RATES FOR GOVT BONDS. AVERAGE YIELD CONFEDERATION BONDS FELL TO 4.38. STOCK PRICES IMPROVED SLIGHTLY IN LIGHT TRADING; SAK INDEX (1959 - 100) ROSE 0.9 PERCENT TO 221.30. SWISS BANK CORP ANNOUNCED LOAN OF SF 100 MILLION AT 4.75 PERCENT INTEREST FOR 12 YEARS. FOREIGN BORROWERS ANNOUNCED LOANS AT 5.5 TO 6 PERCENT INTEREST FOR 12-15 YEARS. FOUR LARGEST BANKS LOWERED INTEREST RATES ON TIME DEPOSITS JUL 1:

MONTHS	OLD RATE	NEW RATE
3-5	3.25	2.57
6-12	3.5	3.25

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USDEL MTN ALSO FOR MISSION, USOECD ALSO FOR EMBASSY,

VIENNA FOR ELLIS, PASS TREASURY AND FRB

4. SNB STATEMENT: SNB END JUN BALANCE SHEET TOTAL
WAS UP 11.5 PERCENT FROM END MAY, REFLECTING SUB-
STANTIAL INCREASE IN LIQUIDITY PROVIDED BANKS THROUGH
DOLLAR SWAPS, CREDITS AND GIRO CLEARING ACCOUNTS.
HOWEVER, NOTES IN CIRCULATION WERE UP ONLY 5.5 PERCENT
COMPARED TO MAY 1977 AND JUNE 1976.

JUNE 30 (CHANGE FROM MAY 31) (MISSIONS OF SWISS FRANCS)

ASSETS

GOLD	11,904	-	-
FOREIGN EXCHANGE	15,492	UP	3,234

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ROOSA BONDS	4,646	DOWN	110
DISCOUNTED PAPER	1,384	UP	156

LOMBARD LOANS	546	UP	128
OTHER	1,154	UP	213

LIABILITIES

NOTES IN CIRCULATION	19,072	UP	106
GIRO ACCOUNTS	10,783	UP	4,065
STERILIZATION ORDERS	413	DOWN	445
OTHER	4,858	DOWN	105
BALANCE SHEET TOTAL	35,126	UP	3,621

5. FOREIGN BANKS: AS OF END 1976 THERE WERE 490 BANKS OPERATING IN SWITZERLAND, INCLUDING 84 FOREIGN CONTROLLED BANKS. TOTAL BANK ASSETS WERE SF 340 BILLION, UP 7.7 PERCENT FROM 1975. FOREIGN BANKS HELD SF 34.1 BILLION OR 10 PERCENT OF ALL ASSETS, UP 8.2 PERCENT FROM 1975. FOREIGN BANKS HAD CAPITAL AND RESERVES EQUAL TO 13.4 PERCENT OF TOTAL BANK ASSETS COMPARED TO AVERAGE 7.3 PERCENT FOR ALL BANKS. FIDUCIARY BUSINESS OF ALL BANKS WAS SF 57.4 BILLION, OF WHICH FOREIGN BANKS HELD SF 25.4 BILLION OR 15 PERCENT. FOREIGN BANKS HAD 8,200 EMPLOYEES WITH TOTAL SALARIES OF SF 400 MILLION AND PAID DIRECT TAXES OF SF 150 MILLION.

6. FEDERAL FINANCES: REPRESENTATIVES FROM ALL 25 CANTONS MET WITH FEDERAL COUNCIL TO DISCUSS POSSIBLE REDUCTIONS IN FEDERAL SUBSIDIES TO CANTONS FOLLOWING JUN 12 REJECTION OF VALUE ADDED TAX. CANTONAL REPS REPORTEDLY EXPRESSED WILLINGNESS TO MAKE SACRIFICES IF NECESSARY TO HELP BALANCE FEDERAL BUDGET.

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7. EC/EFTA IMPORTS: SWITZERLAND REDUCED TO ZERO ITS DUTIES ON IMPORTS OF INDUSTRIAL PRODUCTS FROM EC AND EFTA COUNTRIES JUL 1. HOWEVER, SWISS RETAIN TURNOVER TAX OF 8.4 PERCENT ON COMMERCIAL TRANSACTIONS AND 5.6 PERCENT ON PRIVATE PURCHASES OF IMPORTS, WITH CERTIFICATE OF ORIGIN REQUIRED ON ITEMS VALUED ABOVE SF 1100. DUTIES WILL BE RETAINED ON AGRICULTURAL AND OTHER FOOD PRODUCTS, THOUGH WITH SOME REDUCTIONS. DUTIES ON EC ORIGIN AUTOMOBILES WILL BE REDUCED SLIGHTLY TO LEVEL APPLIED ON EFTA PRODUCED CARS, SF 53 TO 81 PER 100 KILOGRAMS ACCORDING TO VEHICLE CLASSIFICATION.

8. BANK LECLERC: BARCLAYS (SUISSE) SA IS REPORTEDLY INTERESTED IN MAKING CONDITIONAL PURCHASE OF GOODWILL, CLIENTEL, CERTAIN ASSETS AND BUILDING OF BANK LECLERC AND CO., GENEVA WHICH CLOSED DOORS IN EARLY MAY 1977 AFTER

LOSSES ESTIMATED AS SF 10 TO 30 MILLION.

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